

US Bank N.A.

CN-OH-W14A
425 Walnut Street
Cincinnati, OH 45202

January 16, 2004

Board of Governors of the Federal Reserve System

Federal Reserve Bank Currency Recirculation Policy

Re: Docket No. OP-1164

Over the past 2 years a representative(s) of U.S. Bank has actively participated in the development of concepts incorporated into proposed changes of the Federal Reserve cash services policy through the Cash Services Customer Advisory Council. That inclusion in the concept development process has provided some understanding of the Federal Reserve's desire to improve currency recirculation and reduce operating costs.

In the terms in which the proposed policy changes are currently written, U.S. Bank believes it would be able to comply with only minor operational and behavioral changes. However, until Federal Reserve cross shipping reports with currency "fitness rates" unique to each depository institution are available, a final operational and financial analysis can not be completed.

Custodial Inventory Program

Based on our current activity, U.S. Bank is a net depositor of excess currency in all markets where we operate a vault and do not anticipate participating in the custodial inventory program. However, I do believe that the program could be beneficial to improving currency recirculation but may prove to be expensive to administer with only a few large depository institutions able to participate. In event our business needs change, we will explore enrollment in this program if available at that time.

Recirculation Fee

The proposed fee of \$5 to \$6 per bundle (1,000 notes) of cross-shipped currency is recommended as an incentive for depository institutions to further recirculate currency but there is no disclosure as to how this fee was arrived at. Background information including cost data should be disclosed demonstrating how the Federal Reserve arrived at the proposed fee. This fee should not be more than the Federal Reserve's fully loaded cost to process a bundle of currency. The fee must be considered as providing depository institutions with an alternative option for processing currency instead of purchasing additional equipment or constructing additional vault operations.

De minimis Exemption

The use of a de minimis exemption is appropriate to allow for unanticipated swings in customer demand but should be administered on a percentage of activity basis per depository institution. As currently written, the 1,000 bundle exemption, is not a fair application of the exemption to all depository institutions. Larger depository institutions are more likely to be saddled with absorbing any potential financial burden of compliance with the cash policy changes while smaller institutions would not. All depository institutions should share an equal relative percentage of any financial burdens.

Alternatives

As an additional alternative to improve currency recirculation, U.S. Bank has entered into discussions with some of our peer group banks to explore the concept of establishing a "Cash Clearing House". While still in the discussion stage, we would envision using a model similar to the cash clearing house now operating in Australia and known as Cash Services Australia. In order for the cash clearing house concept to be successful, the participating depository institutions will require some level of cooperation from the Federal Reserve.

If you have any questions regarding these comments, you may contact me at (513) 639-6610

Sincerely,

Jim Roemer
SVP Cash Services
U.S. Bank N.A.